



BEFORE THE  
PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Superior Water, Light and Power Company for Authority  
to Increase Retail Electric, Gas and Water Rates

5820-UR-111

**FINAL DECISION**

This is the Final Decision concerning the application of the Superior Water, Light and Power Company (SWLP or applicant) for authority to increase retail electric, natural gas, and water rates.

Final overall rate changes are authorized consisting of a \$1,849,000 annual rate increase for electric utility operations (4.73 percent), a \$42,000 annual rate decrease for natural gas utility operations (.62 percent), and a \$955,000 annual rate increase for water utility operations (13.44 percent) for a test year ending December 31, 2009.

**Introduction**

On May 16, 2008, SWLP filed an application for authority to change its electric, natural gas, and water rates effective January 1, 2009. SWLP requested a \$2,388,526 (5.94 percent) increase for electric operations, a \$105,846 (.39 percent) increase for its natural gas operations, and an increase of \$1,255,747 (17.47 percent) for its water utility operations.

The purpose of this Class 1 proceeding is to address the revenue requirement, cost-of-service, and rate design needed to authorize final rates for the 2009 test year.

On July 16, 2008, a prehearing conference was held to determine the issues that will be addressed in this docket and to establish a schedule for the hearing.

On October 7, 2008, a video conference hearing was held in Madison and Superior. At the hearing, SWLP and Commission staff presented testimony and exhibits regarding applicant's estimated electric, natural gas, and water utility operations for the 2009 test year. The public presented comments regarding the applicant's proposal to increase electric, natural gas, and water rates at the public hearings at the Superior site. No briefs were filed.

The Commission considered this matter at its open meeting on December 11, 2008.

The parties, for purposes of review under Wis. Stat. §§ 227.47 and 227.53, are listed in Appendix A. Others who appeared are listed in the Commission's files.

### **Findings of Fact**

1. Presently authorized rates for SWLP's electric utility operations will produce operating revenues of \$40,248,540 for the test year ending December 31, 2009, which results in an annual revenue deficiency of \$1,849,000. Presently authorized rates for SWLP's natural gas utility operations will produce operating revenues of \$31,967,700 for the test year ending December 31, 2009, which results in an annual revenue excess of \$42,000. Presently authorized rates for SWLP's water utility operations will produce operating revenues of \$7,181,442 for the test year ending December 31, 2009, which results in an annual revenue deficiency of \$955,000. Presently authorized electric, natural gas, and water rates are therefore unreasonable because they fail to produce appropriate revenues for the test year.

2. For the electric utility, the estimated rate of return on average net investment rate base at current rates subject to the Commission's jurisdiction for the test year is 4.35 percent, which is inadequate.

3. For the natural gas utility, the estimated rate of return on average net investment rate base at current rates subject to the Commission's jurisdiction for the test year is 9.97 percent, which is excessive.

4. For the water utility, the estimated rate of return on average net investment rate base at current rates subject to the Commission's jurisdiction for the test year is 7.10 percent, which is inadequate.

5. A reasonable increase in operating revenue for the test year to produce a 9.74 percent return on SWLP's net investment rate base for electric utility operations is \$1,849,000.

6. A reasonable decrease in operating revenue for the test year to produce a 9.74 percent return on SWLP's net investment rate base for natural gas utility operations is \$42,000.

7. A reasonable increase in operating revenue for the test year to produce a 9.74 percent return on SWLP's net investment rate base for water utility operations is \$955,000.

8. A reasonable level of conservation costs recoverable in rates for the test year is \$698,131 for electric utility operations. The level for electric operations consists of the conservation budget of \$579,955 plus \$118,176 which represents the two-year amortization of the projected escrow overspending balance on December 31, 2009.

9. It is reasonable for SWLP to continue accounting for allowable electric conservation expenditures on an escrow basis.

10. A reasonable level of conservation costs recoverable in rates for the test year is \$264,057 for natural gas utility operations. The level for natural gas operations consists of the

conservation budget of \$429,407 less \$165,351, which represents the two-year amortization of the projected escrow under-spent balance on December 31, 2009.

11. It is reasonable for SWLP to continue accounting for allowable natural gas conservation expenditures on an escrow basis.

12. It is reasonable to include in the revenue requirement the Commission staff adjustments not contested by any party and not listed separately for the Commission decision.

13. It is reasonable for the Commission to include in revenue requirement \$72,381 for the Results Sharing incentive compensation program. This equates to \$37,638 for electric operations, \$21,714 for natural gas operations and \$13,029 for water operations.

14. It is reasonable to include in revenue requirement \$27,039 for the Incentive Compensation program. This equates to \$14,060 for electric operations, \$8,112 for natural gas operations, and \$4,867 for water operations.

15. A reasonable financial capital structure for the test year consists of 55.00 percent common equity, 41.09 percent long-term debt, 0.80 percent debt-equivalents of off-balance sheet obligations, and 3.11 percent short-term debt.

16. A reasonable utility capital structure for ratemaking purposes for the test year consists of 55.05 percent common equity, 41.78 percent long-term debt, and 3.17 percent short-term debt.

17. Reasonable cost of capital for ratemaking purposes for the test year is as follows:

- a. Short-term cost of debt of 3.20 percent.
- b. Cost of variable rate industrial revenue bond of 3.55 percent and cost of \$10,000,000 of new 5-year bond of 7.25 percent with the resulting long-term embedded cost of debt of 6.49 percent.
- c. Rate of return on common equity of 11.10 percent.

18. A reasonable weighted average composite cost of capital is 8.92 percent.

19. It is reasonable to use the ratio of net investment rate base plus construction work in progress (CWIP) to capital applicable primarily to utility operations plus deferred investment tax credits when determining the return on net investment rate base in this proceeding.

20. It is reasonable for SWLP to keep Commission staff informed of proposed changes to its customer service conservation activities and receive Commission staff acceptance of the changes before they are implemented.

21. It is reasonable to require SWLP to continue to work with Commission staff to continue to examine the need for additional rate restructuring and time-of-use rate options for its customers in its next rate case.

22. It is reasonable to authorize the electric rates shown in Appendix B.

23. It is reasonable to authorize the service and extension rule changes shown in Appendix B.

24. It is reasonable to use SWLP's natural gas cost-of-service study (COSS) as a guide in setting rates.

25. It is reasonable to authorize the natural gas rates shown in Appendix C.

26. It is reasonable to change the natural gas extension rule embedded cost offset as shown in Appendix C.

27. It is reasonable to remove the reference to the contract minimum from the definition of the Minimum Charge included in natural gas tariffs.

28. It is reasonable to authorize the water rates shown in Appendix D.

### **Conclusions of Law**

The Commission concludes it has jurisdiction under Wis. Stat. §§ 1.12, 196.02, 196.025, 196.03, 196.19, 196.20, 196.21, 196.22, 196.37, 196.374, 196.395, and 196.40 and Wis. Admin.

Code chs. PSC 2, 5, 113, 134, and 185 to enter an order authorizing SWLP to place in effect the rates and rules for electric, natural gas, and water utility service set forth in Appendices B, C, and D, subject to the conditions specified in this Final Decision.

## **Opinion**

### **Applicant and Its Business**

SWLP is a public utility, as defined in Wis. Stat. § 196.01(5), operating as an electric, natural gas, and water utility in Wisconsin. SWLP provides electric, natural gas, and water service to the city of Superior and adjacent areas. SWLP is a wholly-owned subsidiary of ALLETE, Inc., previously named Minnesota Power, Inc.

SWLP provides service to approximately 14,500 retail electric customers, 12,100 natural gas customers, and 10,300 water customers. The areas served with electricity are the city of Superior, the villages of Superior and Oliver, the towns of Superior and Parkland in Douglas County, and an industrial customer in the town of Frog Creek in Washburn County. Natural gas utility service is supplied in the city of Superior, the villages of Lake Nebagamon, Poplar, Solon Springs, and Superior, and the towns of Amnicon, Bennett, Brule, Hawthorne, Highland, Maple, Parkland, Solon Springs, and Superior. The water utility serves the city of Superior and the village of Superior.

### **Income Statement**

SWLP and Commission staff presented testimony and exhibits at the hearing concerning their estimates of the costs of SWLP's electric, natural gas, and water operations. All parties had the opportunity to cross-examine the witnesses.

### **Results Sharing Program**

SWLP included \$286,900 in payroll costs for its Results Sharing incentive compensation program. This program is available to all employees. SWLP identified \$114,760 (40 percent) of

the dollars as related to non-financial goals and \$172,140 related to financial goals. The financial goal for Results Sharing is based on ALLETE Net Income from Continuing Operations (NICO). The non-financial goals are based on safety, reliability, and environmental factors. However, if the financial goals are not met, no Results Sharing is paid. Historically, the Commission has determined that it is reasonable to exclude incentive compensation costs that are dependent on net income goals as there is no direct and substantial customer benefit.

In rebuttal testimony, SWLP argued that the disallowance prevents the company from recovering market-based labor expenses because employees have given up base pay in order to participate in the Results Sharing program. In order to recover market based labor expenses, SWLP requested to recover 1.5 percent of the Results Sharing program which they consider to be the pay-at-risk portion of the employee's salary or wages. SWLP maintained that each employee has a base wage which is set 1.5 percent below market value and this portion of wages is considered at risk should incentive pay not be distributed. If the Results Sharing program is discontinued, bargaining unit employees would receive a 1.5 percent increase in wages or salary per SWLP's Labor Agreement.

While prior Commission decisions have excluded all incentive compensation plans that are based on net income goals, the contract for SWLP bargaining unit employees specifically addresses the benchmark base wage adjustment of 1.5 percent. The agreement may be discontinued by either party on January 31, 2009, thus requiring SWLP to increase pay for this group by 1.5 percent. While the contract does not cover non-supervisory, non-union employees, past Commission practice has been to treat these employees the same as union employees. Therefore, it is reasonable to include in revenue requirement the market based labor expense of

\$72,381 (1.5 percent) for the bargaining unit employees and the non-supervisory, non-union employees.

### **Incentive Compensation Program**

SWLP included \$108,157 in payroll costs for its Incentive Compensation program. This program is available only to the top four management employees. SWLP identified \$27,039 (25 percent) of the dollars as related to non-financial goals and \$81,118 related to financial goals. The Incentive Compensation goals are NICO (50 percent), Cash from Operating Activities (25 percent), and specific utility Strategic Initiatives (25 percent). Strategic Initiatives are non-financial goals and are based on leadership, improvements in operating results, and retention. If the financial goals are not met, the maximum payout would be 25 percent assuming all Strategic Initiative goals are achieved.

In past cases the Commission has allowed incentive compensation amounts that are based on non-financial goals if a proven direct and substantial customer benefit can be identified. SWLP successfully established a direct customer benefit related to leadership, operating improvements and retention, therefore it is reasonable to include \$27,039 in revenue requirement for the non-financial portion of the Incentive Compensation Program.

### **Inflation Rates**

Reasonable inflation rates for 2008 and 2009 are 3.7 percent and 2.2 percent respectively. The inflation rates are based on the average of current estimates from the monthly publication of *Global Insight U.S. Economic Outlook* and *Blue Chip Economic Indicators*. This is a reasonable and objective method of determining the expected rates of inflation.

### **Summary of Income Statement**

All of Commission staff's estimates and adjustments to the applicant's estimates are reasonable and just. Accordingly, estimates of retail electric, natural gas, and water operations



are considered reasonable and just for purposes of determining the revenue requirement in this proceeding as follows:

### Operating Income Statements

	Retail Electric <u>(000's)</u>	Retail Natural Gas <u>(000's)</u>	Retail Water <u>(000's)</u>
<u>Operating Revenues</u>			
Sales Revenues	\$ 39,059	\$ 31,854	\$ 7,106
Other Operating Revenues	<u>1,189</u>	<u>114</u>	<u>75</u>
Total Operating Revenues	<u>\$ 40,248</u>	<u>\$ 31,968</u>	<u>\$ 7,181</u>
<u>Operation and Maintenance Expenses</u>			
Purchased Gas	\$ ---	\$ 25,034	\$ ---
Other Purchased Gas Expense	---	217	---
Purchased Power	31,147	---	---
Other Production	27	---	---
Source of Supply	---	---	73
Pumping	---	---	266
Water Treatment	---	---	604
Transmission Expenses	83	---	---
Distribution Expenses	1,283	1,379	1,303
Customer Accounts Expenses	570	489	231
Customer Service Expenses	872	360	24
Sales Promotion Expenses	---	---	---
Administrative and General Expenses	<u>2,465</u>	<u>1,798</u>	<u>1,179</u>
Total Operation and Maintenance Expenses	\$ 36,448	\$ 29,277	\$ 3,681
Depreciation Expense	1,448	809	870
Taxes Other Than Income Taxes	1,381	401	516
State and Federal Income Taxes	116	423	488
Deferred Income Tax and Tax Credits	<u>(39)</u>	<u>(5)</u>	<u>88</u>
Total Operating Expenses	<u>\$ 39,354</u>	<u>\$ 30,915</u>	<u>\$ 5,642</u>
<b>Net Operating Income</b>	<u><b>\$ 894</b></u>	<u><b>\$ 1,052</b></u>	<u><b>\$ 1,539</b></u>

### Net Investment Rate Base

SWLP and Commission staff presented testimony and exhibits at the hearing concerning their estimates of SWLP's 2009 electric, natural gas, and water net investment rate bases. All parties had the opportunity to cross-examine the witnesses.

### Summary of Net Investment Rate Base

For purposes of determining the revenue requirement in this proceeding, a reasonable and just estimate of SWLP's test year average net investment rate bases for its electric, natural gas, and water operations is as follows:

<b>2009 Test Year Net Investment Rate Base</b>			
	Retail Electric <u>(000's)</u>	Retail Natural Gas <u>(000's)</u>	Retail Water <u>(000's)</u>
Plant in Service	\$ 40,663	\$ 22,312	\$ 33,190
<b>Less:</b> Accumulated Depreciation	<u>17,296</u>	<u>12,491</u>	<u>10,148</u>
Net Utility Plant	\$ 23,367	\$ 9,821	\$ 23,042
<b>Add:</b> Gas in Storage	---	2,484	---
Materials and Supplies	441	159	283
Plant Acquisition Adjustment	---	---	---
Regulatory Assets	---	---	---
<b>Less:</b> Contributions in Aid of Construction	---	---	---
Customer Advances	243	4,935	356
Accumulated Deferred Income Taxes	2,991	1,901	1,276
Regulatory Liabilities	<u>---</u>	<u>---</u>	<u>---</u>
<b>Average Net Investment Rate Base</b>	<u><u>\$ 20,575</u></u>	<u><u>\$ 10,559</u></u>	<u><u>\$ 21,693</u></u>

### Pro Forma Rate of Return

The estimated operating income for purposes of this proceeding, for the test year ending December 31, 2009, results in a rate of return on net investment rate base of 4.35 percent for electric utility operations, 9.97 percent for natural gas utility operations, and 7.10 percent for water utility operations.

### Capital Structure and Cost of Capital

SWLP proposed increasing the ratio of common equity in its capital structure to 57.06 percent. Commission staff used a capital structure containing 55.00 percent common equity on a ratemaking basis. Incorporating the \$507,021 of investments excluded at the cost of

equity and the \$473,736 of debt equivalence related to off-balance sheet obligations, SWLP's financial capital structure for the test year contained 54.94 percent equity. The Commission finds an appropriate equity level for the test year to be set at 55.0 percent common equity on a financial basis. Consequently, the financial capital structure for the test year consists of 55.00 percent common equity, 41.09 percent long-term debt, 0.80 percent debt-equivalents of off-balance sheet obligations, and 3.11 percent short-term debt.

The Commission finds that a reasonable utility capital structure for ratemaking for the test year consists of 55.05 percent common equity, 41.78 percent long-term debt, and 3.11 percent short-term debt.

After consideration of market conditions in general and the business and financial risks faced by this utility, the Commission determines an 11.10 percent return on utility common equity to be appropriate in this proceeding. Actual costs are known for the applicant's variable rate industrial revenue bonds and new-issued long-term bonds. Consequently, the actual cost of 3.55 percent is appropriate for the applicant's variable rate industrial revenue bonds and 7.25 percent is appropriate for the December 2009 first mortgage bonds, resulting in a long-term embedded debt cost of 6.49 percent. In light of the current short-term debt market, a short-term debt cost of 3.20 percent is appropriate for the test year. The short-term debt cost lies within a range of estimates for commercial paper rates and prime rate and reflects the unpredictability of the current short-term debt market.

Accordingly, the utility capital structure, capitalization ratios, annual cost rates and the composite cost of capital rate, found reasonable for purposes of this proceeding, are as follows:

	<u>Amount</u>	<u>Percent</u>	<u>Annual Cost Rate</u>	<u>Weighted Cost</u>
Utility Common Equity	\$32,112,998	55.05%	11.10%	6.11%
Long Term-Debt	24,369,231	41.78%	6.49%	2.71%
Short-Term Debt	<u>1,846,518</u>	<u>3.17%</u>	<u>3.20%</u>	<u>0.10%</u>
Total Utility Capital	\$58,328,747	<u>100.00%</u>		<u>8.92%</u>

This return will result in times interest coverage of 3.17 after taxes and 4.63 before taxes and a 13.02 percent economic or ratepayer cost of capital with the use of a 35 percent federal and a 7.9 percent state tax rate.

#### **Rate of Return on Rate Base**

It is necessary that the 8.92 percent composite cost of capital be translated into a rate of return which can be applied to average net investment rate base and used to compute the overall return requirement in dollars.

The estimate of SWLP's average net investment rate base plus CWIP for the test year is 91.69 percent of capital applicable primarily to utility operations plus deferred investment tax credit. This estimate reflects all appropriate Commission adjustments and is a reasonable and just factor for use in translating the composite cost of capital into a return requirement applicable to average net investment rate base.

The reasonable and just rates of return on electric, natural gas, and water net investment rate bases for ratemaking purposes in this proceeding, computed on the basis of the above findings, are as follows:

	Retail Electric (%)	Retail Natural Gas (%)	Retail Water (%)
Cost of Capital	8.92	8.92	8.92
Average Percent of Utility Net Investment Rate Base Plus CWIP to Capital Applicable Primarily to Utility Operations Plus Deferred Investment Tax Credit	91.69	91.69	91.69
Percent Return Requirement Applicable to Net Investment Rate Base	9.73	9.73	9.73
Adjustment to Return Requirement to Provide Current Return on CWIP	---	---	---
Adjusted Percent Return Requirement on Net Investment Rate Base	<u>9.74</u>	<u>9.74</u>	<u>9.73</u>

### Revenue Requirement

On the basis of the findings in this final decision, a \$1,849,000 increase in electric revenues, \$42,000 decrease in natural gas revenues, and a \$955,000 increase in water revenues are reasonable. The indicated rate revisions are computed as follows:

	Retail Electric (000's)	Retail Natural Gas (000's)	Retail Water (000's)
Return Earned on Average Net Investment Rate Base at Present Rates	4.35%	9.97%	7.10%
Required Return on Average Net Investment Rate Base	9.73%	9.73%	9.73%
Average Net Investment Rate Base (000's)	\$20,575	\$10,559	\$21,693
Amount of Earnings Deficiency(Excess) on Average Net Investment Rate Base (000's)	\$1,107	\$(25)	\$572
Revenue Deficiency(Excess) to Provide for Earnings Deficiency Plus Federal and State Income Taxes at a Combined Rate of 40.135% (000's)	\$1,849	\$(42)	\$955

### Conservation Activities and Customer Service Conservation Initiatives

The appropriate 2009 conservation escrow budget is \$1,009,362, with \$579,955 allocated to electric and \$429,407 allocated to natural gas. The level of conservation costs recoverable in

the test year is \$698,131 for electric utility operations and \$264,057 for natural gas utility operations. The level for electric operations consists of the conservation budget of \$579,955 plus \$118,176 which represents the two-year amortization of the projected escrow overspending balance on December 31, 2009. The level for natural gas operations consists of the conservation budget of \$429,407 less \$165,351, which represents the two-year amortization of the projected escrow under-spent balance on December 31, 2009. This budget will allow SWLP to meet its 2005 Wisconsin Act 141 (Act 141) obligations and adequately fund its customer service conservation activities.

SWLP did not propose any significant changes to its customer service conservation activities. The objectives of SWLP's customer service conservation activities are to assist customers with identifying energy efficiency opportunities and promote Focus on Energy programs and services. SWLP's proposed customer service conservation activities are appropriate. If SWLP chooses to modify its customer service conservation offerings, it should inform Commission staff of proposed changes and receive Commission staff acceptance of the changes before they are implemented.

### **Electric Rate Design and Tariff Changes**

#### **Electric Rate Design**

In order to provide an appropriate price signal to customers, maintain rate continuity, and achieve the goals of customer understanding and acceptance of rates, the Commission has considered SWLP's cost-of-service study (COSS) as well as rate comparability and customer bill impacts in the rate design authorized in this Final Decision.

The Commission adopts Commission staff's general electric rate design structure with some adjustments to meet the final authorized revenue requirement. The energy charges for the "energy only" rate classes (i.e., classes without demand charges) and the demand and energy

charges for the “demand/energy” rate classes are adjusted to reflect costs and to recover the revenue responsibility allocated to these classes. Rates for other classes are changed to recover the appropriate revenue. All these changes are made while considering rate comparability and customer bill impacts. The electric rates found in Appendix B are reasonable and appropriately reflect the Commission’s decisions in this docket.

In the *Final Decision* in docket 5820-UR-110, dated December 26, 2006, the Commission ordered SWLP to work with Commission staff to determine the type of information to be gathered to examine rate restructuring and time-of-use rate options for its customers in its next rate case. In this case, an experimental residential Optional Time-of-Day Rate was proposed by SWLP to provide customers with a better signal for the cost of energy and to provide customers the opportunity to decrease their electric bill. SWLP also proposed an increase in the threshold level of billing for commercial customers on the basis of both demand and energy from 10 kilowatts (kW) to 25 kW. This change would better reflect costs and move the SWLP rate structure towards a structure that is consistent with other Wisconsin utilities. These proposals are reasonable.

Additional investigations are required to ensure that SWLP customers are provided with rates that best reflect costs and the opportunity to decrease their bills.

**Retail Purchased Cost Adjustment Clause (PCAC)**

The Commission adjusts the retail PCAC by changing the base energy cost from \$0.0350 per kilowatt-hour (kWh) to \$0.0480 per kWh. The new base energy cost of \$0.0480 per kWh is based on the test year estimated cost of power and total kilowatt-hours sold to retail customers. The Commission authorizes the applicant to continue to apply a PCAC to all its retail bills. This clause permits increases or decreases in the cost of purchased power to be passed on directly to

the customer. The applicant presumably makes no profit from applying this PCAC to its retail bills.

### **Service and Extension Rule Tariffs**

SWLP proposed changes to its embedded cost allowances for electric extensions. The changes to the embedded cost allowances shown in Appendix B are reasonable.

### **Natural Gas COSS, Rate Design, and Act 141 Considerations**

SWLP performed a natural gas embedded COSS for this proceeding. Commission staff did not perform a COSS due to the small amount of the proposed revenue decrease. It is reasonable to use the results of SWLP's COSS as a guide in setting natural gas rates.

The Commission adopts Commission staff's natural gas rate design, with appropriate adjustments to meet the authorized revenue requirement. The volumetric distribution charges of all natural gas customer classes are decreased to reflect the overall revenue decrease. Residential distribution service revenues are decreased by 0.4 percent. The distribution revenue decreases for the commercial and industrial (C&I) classes range from 0.5 to 2.9 percent, and are impacted by Act 141 requirements.

Act 141 freezes the amount of energy conservation costs that "large energy customers" must pay at the level they paid in 2005. Act 141 defines a "large energy customer" as a customer that uses at least 10,000 decatherms of natural gas per month or 1,000 kW of electricity per month and that, in a month, is billed at least \$60,000 for natural gas service, electric service, or both, for all of the customer's facilities within a utility's service territory.

Customers affected by this Act 141 requirement are included in all SWLP's natural gas C&I classes. The Act 141 cost, included in the base rates of the C&I classes, was determined, based on relevant billing information. To implement the Act 141 requirement, "large energy customers" will pay the specific conservation costs they paid in 2005 minus the Act 141 cost



already included in their base rates. The authorized natural gas rates and Act 141 cost components are shown in Appendix C.

### **Natural Gas Tariff Changes**

SWLP proposed to change the natural gas extension rule embedded cost offset. This change is reasonable, and the revised tariff sheet is included in Appendix C.

Commission staff proposed removing the reference to the contract minimum from the definition of the Minimum Charge. This change is appropriate and makes it clear that the amount paid under the Minimum Charge is independent of any contract entered into by the customer and the utility under the extension rules.

### **Water COSS**

Commission staff submitted a water COSS. As in previous SWLP water rate cases, the COSS uses the American Water Works Association “Base-Extra Capacity Method” as the basis to allocate water revenues to the major customer classes. SWLP concurs with Commission staff’s COSS.

### **Water Rate Design**

Commission staff designed water rates based on the cost of supplying various classes or types of service. The rate design reflects the revenue adjustments made by the Commission. After review, SWLP supports Commission staff’s rate design.

Appendix D shows customer class revenue requirements resulting from the cost analysis compared with revenues at authorized rates. The percentage rate increase to any individual customer will not necessarily equal the overall percentage increase to the associated customer class, but will depend on the specific usage level of that customer.

The authorized rates as set forth in Appendix D are reasonable and just in that they reflect the cost of providing service. The authorized water rules will incorporate revisions to SWLP’s

Service Regulations and Water Main Extension Rules necessary for compliance with Wis.

Admin. Code § PSC 185.

Some typical water bills for customers were computed to compare existing rates with the new rates. That comparison is set forth in Appendix D.

### **Effective Date**

The test year for SWLP commences on January 1, 2009. Under Wis. Stat. § 196.40, an order or determination of the Commission shall take effect 20 days after the order or determination has been filed and served on the parties to the proceeding unless the Commission specifies a different effective date in the order or determination.

The Commission finds that it is reasonable for this Final Decision to be effective the later of the day of mailing or January 1, 2009, provided that the rates are filed with the Commission and placed in all offices and pay stations of the utility by that date. If the authorized rates and rules are not placed in all offices and pay stations by January 1, 2009, the rates shall become effective on the date that the rates are filed with the Commission and placed in all offices and pay stations.

### **Order**

1. This Final Decision shall be effective the later of the day of mailing or January 1, 2009, provided that the rates are filed with the Commission and placed in all offices and pay stations of the utility by that date. If the authorized rates and rules are not placed in all offices and pay stations by January 1, 2009, the rates shall become effective on the date the rates are filed with the Commission and placed in all offices and pay stations.

2. SWLP is authorized to substitute for its existing rates and rules for retail electric natural gas, and water service, the rate and rule changes contained in Appendices B, C, and D.

3. SWLP shall record an annual conservation accrual amount of \$698,131 for retail electric operations (\$579,955 of authorized escrowed expenditures plus \$118,176 for amortization of the escrow overspending). The amortization shall begin with the effective date of this Final Decision. SWLP shall continue to record these amounts until the Commission authorizes new electric conservation accrual amounts.

4. SWLP shall record an annual conservation accrual amount of \$264,057 for retail natural gas operations (\$429,407 of authorized escrowed expenditures less \$165,351 for amortization of the escrow underspending). The amortization shall begin with the effective date of this Final Decision. SWLP shall continue to record these amounts until the Commission authorizes new natural gas conservation accrual amounts.

5. SWLP shall inform Commission staff of proposed changes to its customer service conservation activities and receive Commission staff acceptance of the changes before they are implemented.

6. SWLP is ordered to continue to work with Commission staff and continue to gather the type of information needed to examine the need for additional rate restructuring and time-of-use rate options for its customers in its next rate case.

7. Jurisdiction is retained.

Dated at Madison, Wisconsin, December 30, 2008

By the Commission:

  
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Sandra J. Paske  
Secretary to the Commission

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See attached Notice of Rights

PUBLIC SERVICE COMMISSION OF WISCONSIN  
610 North Whitney Way  
P.O. Box 7854  
Madison, Wisconsin 53707-7854

**NOTICE OF RIGHTS FOR REHEARING OR JUDICIAL REVIEW, THE  
TIMES ALLOWED FOR EACH, AND THE IDENTIFICATION OF THE  
PARTY TO BE NAMED AS RESPONDENT**

The following notice is served on you as part of the Commission's written decision. This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

*PETITION FOR REHEARING*

If this decision is an order following a contested case proceeding as defined in Wis. Stat. § 227.01(3), a person aggrieved by the decision has a right to petition the Commission for rehearing within 20 days of mailing of this decision, as provided in Wis. Stat. § 227.49. The mailing date is shown on the first page. If there is no date on the first page, the date of mailing is shown immediately above the signature line. The petition for rehearing must be filed with the Public Service Commission of Wisconsin and served on the parties. An appeal of this decision may also be taken directly to circuit court through the filing of a petition for judicial review. It is not necessary to first petition for rehearing.

*PETITION FOR JUDICIAL REVIEW*

A person aggrieved by this decision has a right to petition for judicial review as provided in Wis. Stat. § 227.53. The petition must be filed in circuit court and served upon the Public Service Commission of Wisconsin within 30 days of mailing of this decision if there has been no petition for rehearing. If a timely petition for rehearing has been filed, the petition for judicial review must be filed within 30 days of mailing of the order finally disposing of the petition for rehearing, or within 30 days after the final disposition of the petition for rehearing by operation of law pursuant to Wis. Stat. § 227.49(5), whichever is sooner. If an *untimely* petition for rehearing is filed, the 30-day period to petition for judicial review commences the date the Commission mailed its original decision.<sup>1</sup> The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

If this decision is an order denying rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not permitted.

Revised July 3, 2008

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<sup>1</sup> See *State v. Currier*, 2006 WI App 12, 288 Wis. 2d 693, 709 N.W.2d 520.

APPENDIX A  
(CONTESTED)

In order to comply with Wis. Stat. § 227.47, the following parties who appeared before the agency are considered parties for purposes of review under Wis. Stat. § 227.53.

Public Service Commission of Wisconsin  
*(Not a party but must be served)*  
610 N. Whitney Way  
P.O. Box 7854  
Madison, WI 53707-7854

SUPERIOR WATER LIGHT & POWER COMPANY  
Christopher D. Anderson  
ALLETE, Inc.  
30 West Superior Street  
Duluth, MN 55802

***Courtesy Copy List:***

William Bombich  
Superior Water Light & Power Company  
PO Box 519  
Superior, WI 54880

**TABLE 1: Authorized Changes in Revenue**

	Current Revenue	Authorized Revenue	\$ Change	% Change
ER-1	7,589,070	8,324,447	735,377	9.69%
ED-1 CSHS	82,232	85,711	3,479	4.23%
EW-1 CONTR. WATER	11,163	12,129	966	8.65%
EL-1 STREET	198,526	204,072	5,546	2.79%
EN-1 NIGHT WATCH	44,933	47,967	3,034	6.75%
EZ-1 SPORTS FIELD	4,598	4,746	148	3.22%
EC-1 <10 kW	809,262	844,958	35,696	4.41%
EC-1 > 10 kW < 25 kW	694,608	764,380	69,772	10.04%
<b>ALL SMALL USERS</b>	<b>9,434,391</b>	<b>10,288,410</b>	<b>854,019</b>	<b>9.05%</b>
EC-3 > 25 kW < 500 kW	5,725,181	6,159,280	434,100	7.58%
EP-1 Primary <500 kW	661,707	705,532	43,825	6.62%
<b>ALL COMMERCIAL USERS</b>	<b>6,386,888</b>	<b>6,864,812</b>	<b>477,925</b>	<b>7.48%</b>
EC-5 > 500 kW < 1,000 kW	792,492	829,390	36,898	4.66%
EC-5 > 1,000 kW	1,102,804	1,104,386	1,581	0.14%
EP-3 TOD Primary >500 kW	11,315,509	11,558,685	243,176	2.15%
EP-5 TOD >10,000 kW	9,849,181	10,061,738	212,557	2.16%
ISR INTERRUPTIBLE TOD	177,968	200,822	22,854	12.84%
<b>ALL INDUSTRIAL USERS</b>	<b>23,237,955</b>	<b>23,755,021</b>	<b>517,066</b>	<b>2.23%</b>
<b>TOTAL ALL CLASSES</b>	<b>39,059,233</b>	<b>40,908,242</b>	<b>1,849,009</b>	<b>4.73%</b>

TABLE 2: Current and Authorized Rates

		Current Rate	Authorized Rates
<b>RESIDENTIAL CLASSES</b>			
<b>ER-1 RESIDENTIAL SERVICE</b>			
Customer Charge			
	Single Phase \$	6.00	\$7.00
	Three Phase \$	11.00	\$13.00
	Energy Charge	\$0.0624	\$0.0819
	PCAC	\$0.0130	\$0.0000
<b>EH-1 RESIDENTIAL SPACE HEATING</b>			
Customer Charge			
	Single Phase \$	5.00	\$7.00
	Three Phase \$	11.00	\$13.00
	Energy Charge	\$0.0624	\$0.0819
	PCAC	\$0.0130	\$0.0000
<b>ER-1 and EH-1 EXPERIMENTAL TIME-OF-DAY SERVICE</b>			
Customer Charge			
	Single Phase		\$7.00
	Three Phase		\$13.00
Energy Charges			
	On-Peak Summer	New	\$0.11325
	On-Peak Winter	Tariff	\$0.10340
	Off-Peak	Offerring	\$0.03611
	PCAC		\$0.00000
<b>EW-1 CONTROLLED WATER HEATING</b>			
Customer Charge			
	Single Phase \$	2.75	\$3.50
	Three Phase \$	4.00	\$5.00
	Energy Charge	\$0.0358	\$0.0503
	PCAC	\$0.0130	\$0.0000
<b>ED-1 CSHS CONTROLLED SPACE HEATING</b>			
Customer Charge			
	Single Phase \$	2.75	\$3.50
	Three Phase \$	2.75	\$5.00
	Energy Charge	\$0.0358	\$0.0503
	PCAC	\$0.0130	\$0.0000
<b>GENERAL SERVICE CLASSES</b>			
<b>EC-1 GENERAL SERVICE (Non-Demand) Under 250 kW</b>			
Customer Charge			
	Single Phase \$	7.70	\$8.00
	Three-Phase \$	12.10	\$13.00
	Energy Charge	\$ 0.0635	\$ 0.0799
	PCAC	\$0.0130	\$0.0000

TABLE 2: Current and Authorized Rates

		Current Rate	Authorized Rates
<b>GENERAL SERVICE CLASSES (Continued)</b>			
<b>EC-3 GENERAL SERVICE (Demand) Over 25 kW and Under 500 kW</b>			
Customer Charge			
	Single Phase	\$ 12.60	\$14.00
	Three-Phase	\$ 21.00	\$25.00
Excess Demand		\$ 1.65	\$1.80
Billed Demand		\$ 6.50	\$7.00
Energy Charge		\$ 0.0306	\$ 0.0467
PCAC		\$0.0130	\$0.0000
<b>EC-5 GENERAL SERVICE (TOD) Over 500 kW</b>			
Customer Charge		\$ 150.00	\$150.00
Excess Demand		\$ 1.60	\$1.80
Billed Demand			
	Winter	\$ 8.60	\$9.00
	Summer	\$ 8.00	\$8.25
Energy Charge			
	On-Peak Winter	\$ 0.0357	\$ 0.0567
	On-Peak Summer	\$ 0.0324	\$ 0.0531
	Off-Peak	\$ 0.0240	\$ 0.0310
	PCAC	\$ 0.0130	\$0.0000
Act 141 Information			
	Act 141 \$ in Base Rates (per kWh)	N/A	\$0.00124
	Approx. Act 141 \$ in Lg.Cust. Rates (per kWh)	N/A	\$0.00019
<b>LARGE POWER SERVICE CLASSES</b>			
<b>EP-1 LARGE POWER Primary Service Under 500 kW</b>			
Customer Charge		\$43.00	\$50.00
Excess Demand		\$1.60	\$1.76
Billed Demand		\$6.90	\$6.86
Energy Charge			
	Winter kWh	\$0.0287	\$0.0457
	Summer kWh	\$0.0287	\$0.0457
PCAC		\$0.0129	\$0.0000



TABLE 2: Current and Authorized Rates

		Current Rate	Authorized Rates
<b>LARGE POWER SERVICE CLASSES (Continued)</b>			
<b>EP-3 LARGE POWER TIME-OF-DAY Primary Service Over 500 kW</b>			
Customer Charge		\$140.00	\$140.00
Excess Demand	\$	1.60	\$1.60
Billed Demand			
	Winter	\$ 7.75	\$8.25
	Summer	\$ 7.25	\$7.75
Energy Charge			
	On-Peak Winter	\$0.0332	\$0.0556
	On-Peak Summer	\$0.0297	\$0.0520
	Off-Peak	\$0.0210	\$0.0304
	PCAC	\$ 0.0130	\$0.0000
Act 141 Information			
	Act 141 \$ in Base Rates (per kWh)	N/A	\$0.00124
	Approx. Act 141 \$ in Lg.Cust. Rates (per kWh)	N/A	\$0.00016
<b>EP-5 LARGE POWER TIME-OF-DAY &gt;100,000 Volts, Washburn Co. or &gt;10,000 kW</b>			
Customer Charge		\$500.00	\$500.00
Excess Demand	\$	2.20	\$2.10
Billed Demand			
	Winter	\$ 8.15	\$8.15
	Summer	\$ 7.50	\$7.70
Energy Charge			
	On-Peak Winter	\$0.0292	\$0.0519
	On-Peak Summer	\$0.0260	\$0.0491
	Off-Peak	\$0.0205	\$0.0294
	PCAC	\$ 0.0129	\$0.0000
Act 141 Information			
	Act 141 \$ in Base Rates (per kWh)	N/A	\$0.00000
	Approx. Act 141 \$ in Lg.Cust. Rates (per kWh)	N/A	\$ 0.00013
<b>ISR LARGE POWER TIME-OF-DAY</b>			
Customer Charge		\$250.00	\$275.00
Interruptible Credit			
	Primary - EP-1	(\$5.70)	(\$5.70)
	Primary - EP-3	\$ (6.25)	\$ (6.25)
	Transmission - EP-5	\$ (6.17)	\$ (6.17)
Billed Demand			
	Primary - EP-1	\$6.90	\$6.86
	Primary - EP-3	\$ 7.75	\$ 8.25
	Transmission - EP-5	\$ 8.15	\$ 8.15
Energy Charge			
	Primary - EP-1	\$0.0287	\$0.0457
	Primary - EP-3		
	On-Peak	\$0.0332	\$0.0503
	Off-Peak	\$0.0210	\$0.0304
Transmission - EP-5			
	On-Peak	\$0.0292	\$0.0519
	Off-Peak	\$0.0205	\$0.0294
PCAC		\$0.0130	\$0.0000

TABLE 2: Current and Authorized Rates

	Current Rate	Authorized Rates
<b>LIGHTING CLASSES</b>		
<b>EL-1 STREET LIGHTING</b>		
Overhead		
250 W MV (10,000 L)	\$ 62.00	\$63.00
400 W MV (20,000 L)	\$ 62.00	\$63.00
150 W HPS (14,000 L)	\$ 62.00	\$63.00
250 W HPS (20,000 L)	\$ 62.00	\$63.00
Orn. & Signal Lighting	\$ 10.00	\$11.00
Signal Lighting	\$ 26.00	\$27.00
Energy Charge	\$0.0402	\$0.0550
PCAC	\$0.0130	\$0.0000
<b>EN-1 NIGHT WATCH LIGHTING</b>		
175 W MV (8,000 L)	\$ 5.50	\$6.00
250 W MV (10,000 L)	\$ 5.50	\$6.00
400 W MV (20,000 L)	\$ 5.50	\$6.00
150 W HPS (14,000 L)	\$ 5.50	\$6.00
Poles	\$ 4.45	\$5.00
Energy Charge	\$0.0402	\$0.0550
PCAC	\$0.0130	\$0.0000
<b>EZ-1 SPORTS FIELD LIGHTING</b>		
Customer Charge	\$ 10.00	\$10.00
Energy Charge	\$ 0.0701	\$ 0.0860
PCAC	\$0.0130	\$0.0000

**SUPERIOR WATER, LIGHT AND POWER COMPANY  
PRESENT AND AUTHORIZED NATURAL GAS RATES**

<b>CUSTOMER CLASS</b>	<b>PRESENT RATE</b>	<b>AUTHORIZED RATE</b>
<b>RESIDENTIAL, GR-1:</b>		
Customer Charge/Month	\$7.00	\$7.00
Distribution Charge/Therm	\$0.3054	\$0.3037
Gas Acquisition Charge/Therm	\$0.0426	\$0.0426
<b>SMALL FIRM C &amp; I, GC-1:</b>		
Customer Charge/Month	\$13.00	\$13.00
Distribution Charge/Therm	\$0.2242	\$0.2231
Gas Acquisition Charge/Therm	\$0.0349	\$0.0349
Act 141 Cost in Base Rates/Therm		\$0.0162
Aproximate Act 141 \$ in "Large Customer" Rates/Therm		\$0.01095
<b>LARGE VOLUME FIRM C &amp; I, GL-1:</b>		
Customer Charge/Month	\$150.00	\$150.00
Distribution Charge/Therm	\$0.1545	\$0.1538
Gas Acquisition Charge/Therm	\$0.0314	\$0.0314
Act 141 Cost in Base Rates/Therm		\$0.0162
Aproximate Act 141 \$ in "Large Customer" Rates/Therm		\$0.00522
<b>SMALL VOLUME INTERRUPTIBLE C &amp; I, GI-1</b>		
Customer Charge/Month	\$125.00	\$125.00
Distribution Charge/Therm	\$0.1677	\$0.1658
Gas Acquisition Charge/Therm	\$0.0308	\$0.0308
Act 141 Cost in Base Rates/Therm		\$0.0162
Aproximate Act 141 \$ in "Large Customer" Rates/Therm		\$0.01361
<b>LARGE VOLUME INTERRUPTIBLE C &amp; I, GI-6</b>		
Customer Charge/Month	\$400.00	\$400.00
Distribution Charge/Therm	\$0.0844	\$0.0840
Gas Acquisition Charge/Therm	\$0.0279	\$0.0279
Act 141 Cost in Base Rates/Therm		\$0.0162
Aproximate Act 141 \$ in "Large Customer" Rates/Therm		\$0.01102
<b>GAS SUPPLY CHARGES:</b>		
Base Average Commodity Cost/Therm		\$1.1589
Base Average Peak Day Demand Cost/Therm		\$0.0625
Base Average Annual Demand Cost/Therm		\$0.0359

**SUPERIOR WATER, LIGHT AND POWER COMPANY**  
**Natural Gas Distribution Service Revenue Summary**

<b>Customer Classes</b>	<b>Present Distribution Revenues</b>	<b>Authorized Revenue Decrease -- \$</b>	<b>Authorized Distribution Revenues</b>	<b>Authorized Revenue Decrease -- %</b>
Residential (GR-1)	\$ 4,412,276	\$ (17,052)	\$ 4,395,225	-0.39%
Small Firm C & I (GC-1)	\$ 1,499,110	\$ (7,998)	\$ 1,491,112	-0.53%
Large Volume Firm C & I (GL-1)	\$ 482,090	\$ (6,884)	\$ 475,205	-1.43%
Small Volume Interruptible C & I (GI-1)	\$ 115,617	\$ (1,051)	\$ 114,566	-0.91%
Large Volume Interruptible C & I (GI-6)	\$ 311,258	\$ (9,061)	\$ 302,198	-2.91%
<b>TOTAL DISTRIBUTION REVENUES</b>	<b>\$ 6,820,351</b>	<b>\$ (42,046)</b>	<b>\$ 6,778,306</b>	<b>-0.62%</b>
Gas Supply Revenues	\$ 25,033,435		\$ 25,033,435	
Total Distribution Service and Gas Supply Revenues	\$ 31,853,786		\$ 31,811,741	

**4) MAIN EXTENSION CHARGES****a) Individual Extensions to Residential, Commercial, and Industrial Customers**

Upon request of prospective customer for natural gas service for which a main extension is required, the Company shall investigate the costs of installing the required main extension and shall provide the customer with an estimate of the costs. Such estimate shall be determined in accordance with the following provisions:

Estimated cost for installation of the main extension shall be calculated individually and based on estimated current year installed costs.

The estimated cost of the installation shall be reduced by an allowance determined by the following formula:

$$\text{Allowance} = \frac{M \times \text{EAU}}{I}$$

Where M = Distribution margin for the applicable rate class.

EAU = Customer's estimated annual use in therms.

I = First year carrying charge for mains.

The current values for the above formula which will be updated with each rate case are as follows:

Residential customers:

$$\text{Allowance} = \$2,683 \quad \text{R}$$

$$\text{Where } M = \$0.3463$$

$$\text{EAU} = 1,300 \text{ therms}$$

$$I = 16.78\% \quad \text{R}$$

The allowance for Commercial and Industrial customers will be calculated on an individual basis.

**SUPERIOR WATER, LIGHT AND POWER COMPANY****Comparison of Revenue****at****Present Rates, Cost of Service and Authorized Rates**

<b>Customer Class</b>	<b>Revenue at Present Rates</b>	<b>Cost of Service</b>		<b>Authorized Rates</b>		
		<b>Revenue Required</b>	<b>Increase Over Present Rates</b>	<b>Revenue</b>	<b>Increase Over Present Rates</b>	<b>Percent of Cost of Service</b>
Residential	\$ 3,323,617	\$ 3,728,775	12%	\$ 3,720,650	12%	100%
Commercial	1,466,207	1,709,825	17%	1,682,309	15%	98%
Industrial	124,948	125,419	0%	143,542	15%	114%
Public Authority	145,610	164,115	13%	166,042	14%	101%
Inter-Dept	1,933	2,105	9%	2,215	15%	105%
Murphy Oil	771,111	840,448	9%	859,253	11%	102%
Fire Protection (Total)	1,272,991	1,490,730	17%	1,491,334	17%	100%
<b>Total</b>	<b>\$ 7,106,417</b>	<b>\$ 8,061,417</b>	<b>13%</b>	<b>\$ 8,065,344</b>	<b>13%</b>	<b>100%</b>
<b>Fire Protection</b>						
PFP - City of Superior	\$ 1,193,920	\$ 1,397,504	17%	\$ 1,398,108	17%	100%
PFP - Village of Superior	29,079	34,080	17%	34,080	17%	100%
Private Fire	49,992	59,146	18%	59,146	18%	100%
<b>Total</b>	<b>\$ 1,272,991</b>	<b>\$ 1,490,730</b>	<b>17%</b>	<b>\$ 1,491,334</b>	<b>17%</b>	<b>100%</b>

**SUPERIOR WATER, LIGHT AND POWER COMPANY****Authorized Water Rates and Rules**Public Fire Protection Service - - - WF2Application

To public fire protection service for all classes of customers within the city of Superior.

This service shall include the use of hydrants for fire protection service\* only and such quantities of water as may be demanded for the purpose of extinguishing fires within the service area. This service shall also include water used for testing equipment and training personnel. For all other purposes, the metered or other rates set forth, or as may be filed with the Public Service Commission, shall apply.

\*The total charge for public fire protection service is based on costs not only of direct facilities, such as fire hydrants, but also the allocated share of costs for the extra capacity designed into the water system for fire flow capacity, including wells, pumps, water treatment plant, transmission and distribution mains, storage facilities, and other facilities.

Rate (Monthly)

<u>Meter Size</u>	<u>Charge</u>
5/8 -inch	\$ 9.00
3/4 -inch	9.00
1 -inch	22.50
1 1/2 -inch	45.50
2 -inch	72.50
3 -inch	136.00
4 -inch	227.00
6 -inch	452.00
8 -inch	725.00
10 -inch	1,085.00
12 -inch	1,445.00

Conditions

It is the duty of the municipality to keep fire hydrants clear of snow and other obstructions.

Special Provisions

Whenever the Company plans to extend its distribution system, it shall so notify the City to determine if fire protection service is desired. If the City indicates by letter that fire protection service is not needed, water mains may be installed of a size to provide adequate water supply for normal customer use only.

Prompt Payment of Bills

See Section XIV – “Charges and Billings” of the Company’s Service Regulations.

Public Fire Protection - Suburban - - - WFV

Application

To public fire protection service for all classes of customers within the village of Superior.

This service shall include the use of hydrants for fire protection service\* only and such quantities of water as may be demanded for the purpose of extinguishing fires within the service area. This service shall also include water used for testing equipment and training personnel. For all other purposes, the metered or other rates set forth, or as may be filed with the Public Service Commission, shall apply.

\*The total charge for public fire protection service is based on costs not only of direct facilities, such as fire hydrants, but also the allocated share of costs for the extra capacity designed into the water system for fire flow capacity, including wells, pumps, water treatment plant, transmission and distribution mains, storage facilities, and other facilities.

Rate (Monthly)

\$2,840.00

For all subsequent extensions of public fire protection service, the above base charge will not be increased.

Conditions

It is the duty of the municipality to keep fire hydrants clear of snow and other obstructions.

Special Provisions

Whenever the Company plans to extend its distribution system, it shall so notify the Village to determine if fire protection service is desired. If the Village indicates by letter that fire protection service is not needed, water mains may be installed of a size to provide adequate water supply for normal customer use only.

Prompt Payment of Bills

See Section XIV – “Charges and Billings” of the Company’s Service Regulations.



Private Fire Protection Service - Unmetered - - - WF1Application

To private fire protection service for all classes of customers within the distribution area.

This service shall consist of permanent or continuous unmetered connections to the main for the purpose of supplying water to private fire protection systems such as automatic sprinkler systems, standpipes, and private hydrants. This service shall also include reasonable quantities of water used for testing check valves and other backflow prevention devices.

Rate (Monthly)

<u>Size of Connection</u>	<u>Charge</u>
2-inch or smaller	\$ 12.00
3-inch	21.30
4-inch	35.50
6-inch	71.00
8-inch	114.00
10-inch	171.00
12-inch	228.00
14-inch	285.00
16-inch	342.00

Contract Period

Not less than one year.

Service Regulations

Service is subject to the orders of regulatory bodies having jurisdiction and to Company's Service Regulations currently on file in Company's office.

Prompt Payment of Bills

See Section XIV – "Charges and Billings" of the Company's Service Regulations.

General Service - Metered - - - WG1Application

To water service for all classes of customers within the distribution area.

Rate (Monthly)

<u>Meter Size</u>	<u>Customer Charge</u>
5/8 -inch	\$ 13.00
3/4 -inch	13.00
1 -inch	20.00
1 1/2 -inch	33.00
2 -inch	50.00
3 -inch	80.00
4 -inch	118.00
6 -inch	195.00
8 -inch	280.00
10 -inch	400.00
12 -inch	520.00

Commodity Charge

First 2,000 cubic feet used each month - \$4.00 per 100 cubic feet  
 Next 48,000 cubic feet used each month - \$3.70 per 100 cubic feet  
 Next 50,000 cubic feet used each month - \$3.30 per 100 cubic feet  
 Over 100,000 cubic feet used each month - \$2.50 per 100 cubic feet

Minimum Charge (Monthly)

The applicable Customer Charge.

Contract Period

The minimum contract period shall be one year unless otherwise specified by special contract or in the applicable rate schedule. Where the Company has disconnected service at the customer's request prior to expiration of the minimum contract period, a reconnection charge shall be made, payable in advance, when the customer requests reconnection of service. The reconnection charge is \$24.00 during regular working hours and \$72.00 during other than regular working hours.

If reconnection is requested for the same location by any member of the same household, or, if a place of business, by any partner or employee of the same business, it shall be considered as the same customer.

Prompt Payment of Bills

See Section XIV – "Charges and Billings" of the Company's Service Regulations.

Combined Metering

When a customer's premises has several buildings, each supplied with service and metered separately, the full service charge will be billed for each meter separately and the readings will not be cumulated.

Buildings used in the same business, located on the same parcel, and served by a single lateral may have the customer's water supply piping installed to a central point so that volume can be metered in one place. If the Company, for its own convenience, installs more than one meter, the readings will be cumulated for billing.

### Service Regulations

Service is subject to the orders of regulatory bodies having jurisdiction and to Company's Service Regulations currently on file in Company's office.

### Seasonal, Emergency or Temporary Service - - - WG2

#### Application

To water service for all classes of customers within the distribution area desiring service on less than a yearly basis, or for temporary purposes.

#### Billing

Seasonal customers\* shall pay an annual seasonal service charge equal to twelve times the applicable service charge in Schedule WG1. Water use in any billing period shall be billed at the applicable volume rates in Schedule WG1 and the charge added to the annual seasonal service charge.

Further, if service has been disconnected, a charge under the Company's Service Regulations, Section VI, shall be applied at the time of reconnection.

\*Seasonal customers are general service customers whose use of water is normally for recurring periods of less than a year.

### Public Service - - - WG3

#### Application

To water service to the city of Superior for water used on an intermittent basis for flushing sewers, street sprinkling, flooding skating rinks, drinking fountains, and other similar purposes.

#### Special Conditions

Service shall be from permanent installations wherever practicable. However, when no permanent installations are readily available, water shall be taken from fire hydrants most accessible to the work. The hydrants to be used for such purposes shall be established by agreement between the City and the Company, and, to the extent that it is practicable, all water used shall be metered. The Company will supply the City with the number of meters the City deems necessary for use at such installations.

Billing

Service shall be billed under Schedule WG1. The total Customer Charge will be determined according to the number and sizes of meters required at all installations, permanent or otherwise.

The quantity of water used each month of all water metered and estimated (where metering is impracticable) shall be combined and billed as though through one meter using the rates set forth in Schedule WG1.

Metered Hydrant Connections - - - WG4

Temporary use of metered connections to hydrants may be made based on the charges detailed below. Customers without an established satisfactory credit record with the Company shall make an advance payment of the charges.

Service charge for set and removal*	\$50.00
Water usage (minimum charge)	50.00
Deposit	<u>400.00</u>
Total	\$500.00

The deposit will be refunded if equipment is returned to the Company undamaged. The customer will be billed for the cost of repair or replacement of damaged or lost equipment in excess of the forfeited deposit.

Water usage will be billed at the appropriate commodity charge as stated in Schedule WG1 except that a minimum charge of \$50.00 shall apply for each 30 day period or fraction thereof for which the hydrant meter is installed at customer request.

\*If the actual charges for set and removal per the service order exceed the amount stated above by greater than 20% due to extenuating circumstances or special requests of the customer, the customer will be billed the actual costs. Customers served under this rate schedule are not subject to the connection charge as stated in the Company's Service Regulations.

Water Main Extension Rules

Incorporate revisions necessary for compliance with Wis. Admin. Code § PSC 185.

Service Regulations

Incorporate revisions necessary for compliance with Wis. Admin. Code § PSC 185.

**SUPERIOR WATER, LIGHT AND POWER COMPANY****Customer Water Bill Comparison at Present and Authorized Rates**

Customer Type	Meter Size (Inches)	Volume 100 Cu. Ft.	Monthly			Monthly Bills With Fire*		
			Bill at Old Rates	Bill at New Rates	Percent Change	Bill at Old Rates	Bill at New Rates	Percent Change
Small Residential	5/8	3	\$ 22.50	\$ 25.00	11%	\$ 30.24	\$ 34.00	12%
Average Residential	5/8	5	\$ 29.50	\$ 33.00	12%	\$ 37.24	\$ 42.00	13%
Large Residential	5/8	15	\$ 64.50	\$ 73.00	13%	\$ 72.24	\$ 82.00	14%
Commercial	3/4	25	\$ 97.65	\$ 111.50	14%	\$ 105.39	\$ 120.50	14%
Commercial	1	50	\$ 181.90	\$ 211.00	16%	\$ 201.30	\$ 233.50	16%
Commercial	1 1/2	100	\$ 350.40	\$ 409.00	17%	\$ 389.40	\$ 454.50	17%
Commercial	2	200	\$ 678.40	\$ 796.00	17%	\$ 740.40	\$ 868.50	17%
Public Authority	4	400	\$ 1,377.40	\$ 1,604.00	16%	\$ 1,571.40	\$ 1,831.00	17%
Industrial	3	700	\$ 2,242.40	\$ 2,596.00	16%	\$ 2,358.40	\$ 2,732.00	16%
Commercial	4	850	\$ 2,722.90	\$ 3,129.00	15%	\$ 2,916.90	\$ 3,356.00	15%
Public Authority	4	1,000	\$ 3,165.40	\$ 3,624.00	14%	\$ 3,359.40	\$ 3,851.00	15%
Industrial	2	1,250	\$ 3,654.90	\$ 4,181.00	14%	\$ 3,716.90	\$ 4,253.50	14%
Public Authority	4	2,500	\$ 6,540.40	\$ 7,374.00	13%	\$ 6,734.40	\$ 7,601.00	13%
Murphy Oil	4	10,000	\$ 23,415.40	\$ 26,124.00	12%	\$ 23,609.40	\$ 26,351.00	12%
Murphy Oil	6	20,000	\$ 45,992.40	\$ 51,201.00	11%	\$ 46,379.40	\$ 51,653.00	11%

\*The bill comparisons in "Monthly Bills With Fire" are applicable only to the City of Superior customers.